

Message Text

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PAGE 01 STATE 046013
ORIGIN NEA-10

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FM SECSTATE WASHDC
TO AMEMBASSY COLOMBO

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E.O. 11652: N/A

TAGS:EAID, EAGR, CE

SUBJECT: SECOND 100,000 MT WHEAT FLOUR FOR SRI LANKA

1. STATE/AID DESK OFFICERS RECENTLY MET WITH SRI LANKA
FOOD COMMISSIONER HASSAN TO DISCUSS SECOND 100,000 MT PL
480 WHEAT FLOUR FOR SRI LANKA. OFFICERS INFORMED HASSAN
THAT EVIDENCE OF RESTRUCTURING OF PRICE RELATIONSHIP
BETWEEN WHEAT FLOUR AND RICE WOULD BE IMPORTANT IN OBTAINING
ISC APPROVAL FOR SECOND 100,000 TONS. HASSAN REPLIED IN
CONFIDENCE THAT GSL WOULD ANNOUNCE DECISION TO RAISE PRICE
OF WHEAT FLOUR ON APRIL 15, AND THAT NEW PRICE WOULD BE ONE
RUPEE.

2. ISC PLANS TO DISCUSS SRI LANKA REQUEST FOR SECOND
100,000 TONS AT MEETING ON MARCH 9. USDA/OGSM BELIEVES
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THAT GSL PROMISE TO RAISE WHEAT FLOUR PRICE SHOULD BE IN-
CLUDED IN SELF-HELP MEASURES. WE WOULD APPRECIATE YOUR RE-
ACTION TO THIS PROPOSAL. IF THIS IS NOT ACCEPTABLE, AT
MINIMUM WE HOPE GSL COULD TELL US CONFIDENTIALLY OF THE
ANTICIPATED DATE AND AMOUNT OF FLOUR PRICE HIKE SO WE CAN
PRESENT THIS INFORMATION TO ISC, SHOULD IT BECOME NECESSARY
TO DO SO. WE WOULD ALSO APPRECIATE EMBASSY'S ESTIMATE OF

EFFECT THIS PRICE HIKE WILL HAVE ON FUTURE CONSUMPTION AND
AND IMPORTS OF WHEAT FLOUR.

3. ASSUMING ISC APPROVAL ON MARCH 9, NAC APPROVAL WILL NOT
COME BEFORE END OF MARCH OR EARLY APRIL. HASSAN SAID IT
TAKES APPROXIMATELY FOUR MONTHS FROM SIGNING OF AGREEMENT
BEFORE WHEAT FLOUR BEGINS TO ARRIVE IN SRI LANKA. BECAUSE
GSL MADE UNILATERAL ASSUMPTION IN ITS PLANNING FOR
200,000 TONS OF PL 480 FLOUR, HASSAN SAID SRI LANKA MAY
RUN SHORT OF FLOUR IN AUGUST PRIOR TO ARRIVAL OF SECOND
100,000 MT.

4. IN RESPONSE TO HASSAN'S QUESTION, OFFICERS INDICATED
SECOND 100,000 MT WOULD NOT COME UNDER TITLE III, AS
TITLE III PROGRAM CANNOT BE DEVELOPED IN TIME.

5. USDA ADVISES EMBASSY WILL NEED TO SUBMIT UPDATED
BELLMON AMENDMENT STATEMENT.

6. USDA/OGSM ADVISES THAT THERE IS POSSIBILITY OF COTTON
SALES COMING UNDER TITLE III PROGRAM IN FY 78. HAL NORTON
OF USDA ADVISES HE PLANS TRAVEL TO SRI LANKA AT END OF
MARCH TO DISCUSS TITLE III AND OTHER SUBJECTS AND WILL BE
SENDING CABLE WITH TRAVEL INFORMATION SOON. VANCE

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